



HOUSE
BUDGET
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Budget Digest

Ranking Member Steve Womack

February 12, 2019

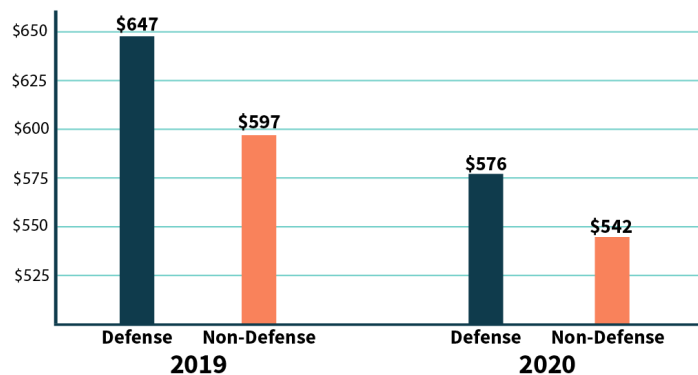
BUDGET DIGEST: BCA BUDGET CAPS HEARING

On February 7, 2019, the House Budget Committee held a hearing entitled *Investing in America's Economic and National Security*, to discuss the defense and non-defense discretionary budget caps. Caps on discretionary spending for FY 2012 through FY 2021 were put into place in 2011 with enactment of the Budget Control Act (BCA). Subsequent "caps deals" have increased these spending limits over time; however last year - fiscal year 2019 - was the final year covered by the most recent of these deals. Without a new caps deal for FY 2020, defense caps will decrease by \$71 billion (11 percent) and non-defense caps by \$55 billion (9.2 percent), compared to last year's spending levels.¹

In his opening statement, Ranking Member Steve Womack said, "After years of harmful budget cuts that have previously impaired our defenses, we have finally returned to a point where our military leaders and troops have the resources needed to do their duty." Cuts to the defense budget under current law for FY 2020 would undoubtedly reverse these recent gains for our men and women in uniform.

The witnesses agreed that any decreases to the defense budget would be disastrous to our national security, and we need continued growth in the defense budget to maintain readiness capabilities to counter our traditional and non-traditional adversaries. According to Steven Kosiak, a national defense expert with the Center for a New American Security, a "\$71 billion cut would be devastating" to defense in FY 2020.² Kosiak argued that not only should Congress prevent cuts, but also the defense budget increases "at a minimum, should keep up with inflation."³ Kosiak's statement is in line with General Mattis's call for a two-to-three percent annual increase above inflation to the base defense budget, which, he argues, is "needed to sustain the All-Volunteer Force in a way that keeps personnel, modernization, and readiness accounts in balance."⁴ Kosiak also described defense as an "insurance policy" against our adversaries and claimed funding decisions for defense should be driven by strategy rather than arbitrary budget caps.⁵

Changes in Budget Caps Without New "Caps Deal" (in \$ Billions)



Discussions in the hearing also focused on the current fiscal situation, and the challenge of how to pay for a caps deal that avoids a reduction to discretionary spending. Gordon Gray, Director of Fiscal Policy at the American Action Forum, highlighted that mandatory spending is the main driver of our debt and deficits. As long as mandatory spending continues to grow at such an alarming rate, it will continue to crowd out spending for discretionary priorities, especially defense. Gray argued that any caps deal should ideally be offset with reforms to "entitlement programs."⁶ If mandatory program reforms are not addressed in the upcoming BCA caps negotiations, mandatory spending (including interest payments on the debt) is projected to increase from \$2.8 trillion in 2018 to \$5.5 trillion in 2029.⁷ Such increases to mandatory spending will continue to crowd out a variety of discretionary priorities. Republican members reaffirmed the national deficit and debt are a threat to America's future and prosperity. Since mandatory spending is the biggest driver of our deficits and debt, it is critical policymakers implement major reforms to mandatory programs to address our fiscal challenges and ensure essential discretionary programs are properly funded going forward.

¹ Congressional Budget Office, *Sequestration Update Report: August 2018*, August 2018, <https://www.cbo.gov/system/files?file=2018-08/54357-Sequestration.pdf>.

² Mr. Steven Kosiak testimony before the House Budget Committee hearing titled, *Investing in America's Economic and National Security*, February 7, 2019, <https://www.facebook.com/housebudgetdems/videos/542640366219354/>.

³ *Id.*

⁴ Then-Secretary of Defense James Mattis's written statement for the record on Tuesday, June 13, 2017, to the Senate Armed Services Committee, Department of Defense Budget Posture. https://www.armed-services.senate.gov/imo/media/doc/Mattis_06-13-17.pdf.

⁵ *Id.*

⁶ Mr. Gordon Gray testimony before the House Budget Committee hearing titled, *Investing in America's Economic and National Security*, February 7, 2019, <https://www.facebook.com/housebudgetdems/videos/542640366219354/>.

⁷ Congressional Budget Office, *The Budget and Economic Outlook: 2019 to 2029*, January 2019, <https://www.cbo.gov/system/files?file=2019-01/54918-Outlook.pdf>.

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